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## Agenda Item 3c

November 15, 2011

### TO: MEMBERS OF THE FINANCE COMMITTEE

- I. **SUBJECT:** External Audit Fees
- II. **PROGRAM:** Audit Services
- III. **RECOMMENDATION:** Information Only
- IV. **ANALYSIS:**

In accordance with the Finance Committee Charter, a report of audit, attest and all other services allowed and provided by audit firms, including the fees paid to the auditor, shall be provided to the Finance Committee annually. Services provided by outside audit firms in Fiscal Year 2010-11 included the annual financial statement audit and agreed-upon procedures engagements. These are described below.

#### **Financial Statement Auditor Fees**

The Board's independent financial statement auditor, Macias Gini & O'Connell, LLP performed the audit of CalPERS' financial statements for Fiscal Year ended June 30, 2010 (FY 2009-10) and agreed upon procedures reviews. These services were performed under the American Institute of Certified Public Accountants (AICPA) generally accepted auditing standards and attestation standards. All services provided were consistent with those allowed by the Finance Committee Charter. The financial statement audit fees totaled \$464,262 and were paid over two fiscal years. The total fees for agreed upon procedures were \$78,385.

#### **Real Estate Compliance Audit Fees**

Table 1 on the following page illustrates the schedule of fees totaling \$511,677 invoiced for agreed upon procedures for real estate compliance and cash flow verification reviews performed by the Board's independent real estate auditors through June 30, 2011. The amounts are presented on cash rather than an accrual basis.

**Table 1 – Real Estate Audit Fees**

<b>AUDIT FIRM</b>	<b>AMOUNT PAID</b>
KNL	\$50,593
KPM and Associates	\$113,717
Mayer Hoffman McCann PC (Note 1)	\$258,911
Squar Milner	\$25,541
Velah Group	\$62,915
<b>Total for Real Estate Audit Activities for Fiscal Year 2010-11</b>	<b>\$511,677</b>

(Note 1 – This firm closed this unit of its business and is no longer in the pool of real estate auditors.)

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic Plan, but is required by the Finance Committee Charter.

**VI. RESULTS/COSTS:**

This information item provides an annual report to the Finance Committee on all external audit fees in accordance with the Finance Committee Charter. These reviews provide the Board of Administration independent assurance regarding financial reporting, internal controls, and contract compliance.

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MARGARET JUNKER, Chief  
Office of Audit Services

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PETER H. MIXON  
General Counsel